Protected Cell Companies (PCCs)
Incorporated Cell Companies (ICCs)

IMPERIUM

What is a Protected Cell Company (PCC)?

A Protected Cell Company (PCC) is a standard single limited Company that has been separated into legally distinct cells, Guernsey was the first jurisdiction to introduce a PCC in 1997. The income, assets and liabilities of each cell are separated from all other cells and the concept of PCCs was developed for use in umbrella investment funds.

Each cell has its own separate portion of the PCC's overall share capital, allowing shareholders to maintain sole ownership of an entire cell while owning only a small proportion of the PCC as a whole.

Why use a Protected Cell Company?

A PCC is suitable for both domiciled and non-domiciled individuals and also for UK resident and non-UK resident individuals. A PCC has many uses and can be used for Captive Insurance, Stamp Duty Land Tax mitigation, Inheritance Tax mitigation, Capital Gains Tax mitigation and as a deferral instrument.

Flexibility

There are no restrictions as to what may be transferred to a PCC. However, due to the necessity to value a PCC it is important that assets transferred in can be valued. A cell can invest in a wide range of asset classes. Typically PCC's are used to invest in investment portfolios, cash, bonds and both commercial and residential property. Private Company shares can also be invested in if they can be valued. A PCC is a single legal person however the protected cells are not separate legal entities, a protected cell may not own shares in its own PCC or another protected cell of the same PCC.

Taxation

A PCC is treated as a single entity in respect of Guernsey taxation and as such no individual cell can be exempt from tax whilst other cells are not liable to the profits of other protected cells. It is possible for a cell to be crystallised at any point and this may lead to numerous tax advantages. Proper structuring is essential to ensure the benefits of a PCC are maximised. Upon death any assets that an individual has within a PCC falls outside of that individual's estate for inheritance tax purposes.

What is an Incorporated Cell Company (ICC)

ICC's have evolved as a genuine alternative to Protected Cell Company's ("PCC's") which Guernsey originally introduced in 1997. Guernsey is the leading jurisdiction in connection with Cellular entities, and the Companies (Guernsey) Law, 2008, specifically provided the ability to create ICC's. Similar to a PCC, an ICC is a separate legal entity which comprises a core and one or more underlying cells for the purpose of segregating and subsequently protecting individual assets.

Why use an Incorporated Cell Company?

A primary advantage for utilising an ICC is to reduce economies of scale as they enable a corporate group structures to be created at far lower costs than numerous individual non-cellular companies. Assets within one cell are completely ring-fenced from another cell's liabilities. Cellular assets are therefore protected from creditors of other cells within the ICC. Unlike a PCC, as the individual cells are separate legal entities one cell also can enter into an agreement with another incorporated cell. In summary, the ICC provides a more secure and flexible structure in many instances to its precursor, the PCC.

Flexibility

The Companies (Guernsey) Law, 2008, allows assets of the ICC or of its Cells to be collectively managed or indeed invested, provided the assets are always separately identifiable. Both the requirements for audited accounts and annual general meetings can be waived if deemed appropriate to further reduce administration cost. In addition, an ICC can at a later date be converted into a non-cellular company and vice versa. Each Cell is treated as a separate entity for tax purposes. As such, an ICC can have Cells that are both resident in Guernsey for tax purposes as well as Cells which are classed as exempt and non-resident. It should be noted that the directors and secretary of the ICC must be the same throughout any underlying cells.

Taxation

As incorporated cells of an ICC are separate legal persons, each incorporated cell is treated as a separate entity for Guernsey tax purposes.

Tax Advice/Fees

Full tax and structuring advice must be obtained for the establishment of a PCC or ICC. Imperium work with a number of leading advisory firms to assist with this advice and drafting of the prospectus, as well as assisting with appointing auditors, lawyers and additional ancillary services should they be required.

The fees associated with setting up a Guernsey PCC or ICC would vary depending on the complexity and size and number of anticipated cells. On an ongoing basis annual fees would depend on the components and size of a PCC or ICC structure. Please note that third party tax, legal and listing advice would be charged in addition to Imperium's fees.

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